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Economics Weekly

Innovation and Labor Displacement

Please refer to important disclosures on pages 15 and 16. Analyst certification is on page 15.

We seem to be living in a weird world at the moment—one in which third-quarter real GDP growth is estimated to have increased by a stunning 3.9% (Atlanta Fed's GDPNow tracker) after 3.8% in the previous quarter, we are in the midst of an AI-related energy and capex boom (with the hyperscalers seemingly in competition over who can spend the most each quarter), the stock market is soaring, and interest rates are low and expected to fall (a little) further. Yet, consumer confidence remains soggy, and job growth has likely been in the vicinity of a paltry 25,000 per month over the past quarter. In addition, and as if on cue, Amazon announced this week that it plans to lay off 14,000 workers from its corporate workforce in an attempt to lower costs and take advantage of increased AI capabilities. If this is the great productivity boom that we've all (at least most economists) been desperately waiting for years to arrive, Joe Public might be justified in asking, is this what we really signed up for? **In this *Economics Weekly,* we look at what is happening with the labor market, productivity growth, and the policy response to these changes.**

Why Is the Labor Market Softening?

One prominent area of concern that journalists posed at this week's post-FOMC presser to Fed Chair Powell was, if growth is so strong, why is the labor market weakening?

The chair's response was:

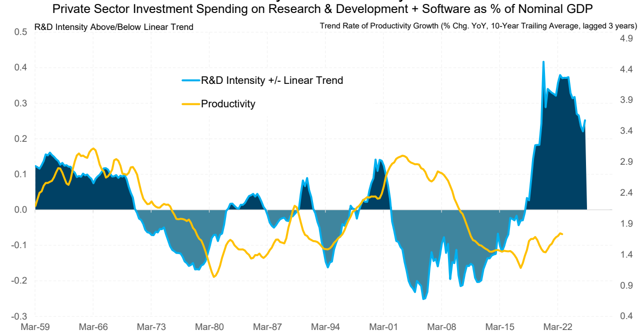
> *Why has it slowed so much? Well, what's happened is that the supply of workers has dropped very, very sharply due to, mainly, immigration, but also lower labor force participation. And that means there's less need for new jobs because there isn't this flow into the pool of labor that, you know, where people need jobs because there aren't those people now, so there's not a supply of workers showing up for jobs.*
>
> *In addition, demand has also gone down, and so has labor force participation ... which is more of a sign in this case of demand, as well as trend. So, I think you're seeing some softening.*

The chair's straightforward response, which also highlights what we have been discussing throughout most of this year, was that if you have a "very, very sharp" decline in net immigration, there are fewer people consuming food, clothing, and shelter, and with it demand for labor also declines.

What the good chair does not discuss, however, is the unfolding trend related to the need for the corporate sector to boost capital expenditures on productivity-enhancing technology to offset these growing labor shortages, which are due to demographic factors and now accelerated by the immigration crackdown and deglobalization—something we have also been writing about for many years now.

These spending initiatives would include upgrading the aging capital stock and taking advantage of increased government incentives through the IIJA, CHIPS, IRA, and now the OBBB. In addition, we are also now beginning to see the benefits from a massive prior ramp-up in R&D intensity (exhibit 1).

Exhibit 1
R&D Intensity vs. Productivity Growth
Private Sector Investment Spending on Research & Development + Software as % of Nominal GDP



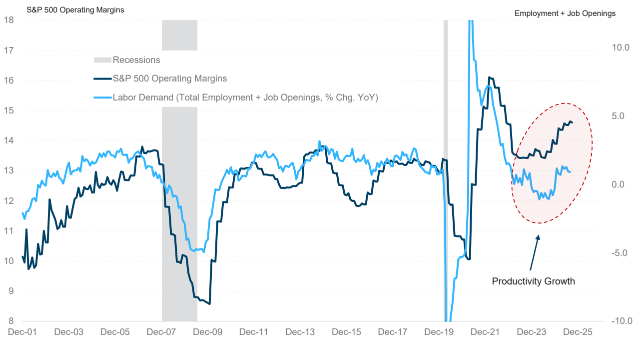
Sources: Bureau of Economic Analysis, William Blair Equity Research

We suspect that it is this initial capex investment wave that is now paying dividends for the corporate sector in maintaining strong demand for investment but limited demand for workers. So far, the second mega wave of productivity-enhancing capex investment—the emergence of AI—is only having a very limited impact (despite the news from Amazon), but this is likely to change in the coming years as use-cases and adoption increase.

More Than a Marginal Impact

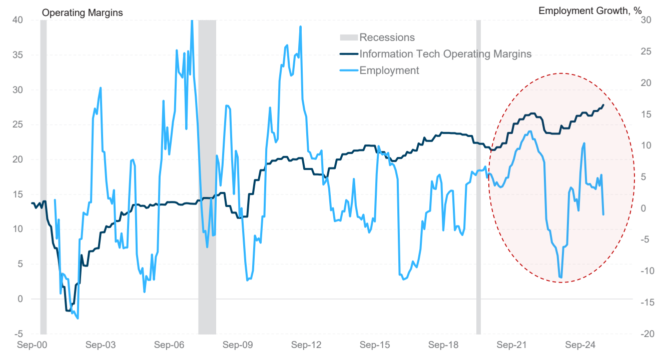
While the impact from the first wave has been slow to materialize in the official productivity statistics, as is typically the case, it has been becoming more visible in corporate profit margins. Exhibit 2 is the poster child here.

Exhibit 2
S&P 500 Operating Margins vs. Labor Demand Growth, %



Sources: Bloomberg, Bureau of Labor Statistics, William Blair Equity Research

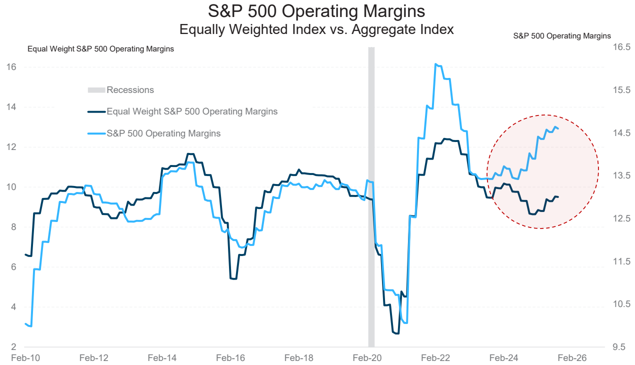
Exhibit 4
S&P 500 Information Technology Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

Gentle readers might be forgiven for dismissing the margins in exhibit 2 as being driven by the hyperscalers. But if we look at margins for the aggregate S&P 500 versus the equal-weight index (exhibit 3), there is a stark divergence.

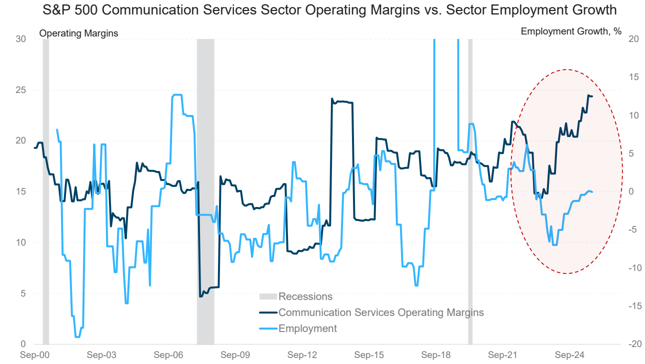
Exhibit 3
S&P 500 Operating Margins
Equally Weighted Index vs. Aggregate Index



Sources: Bloomberg, William Blair Equity Research

In the following exhibits, we look at the trend in employment growth per S&P 500 sector against that sector's margins (a crude measure of operating efficiency). The perhaps surprising conclusion is that the gains are much more diversified than being solely across the tech industry (exhibit 4-5).

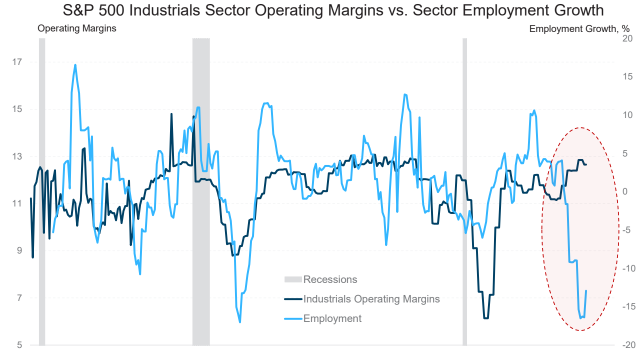
Exhibit 5
S&P 500 Communication Services Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

In fact, the standout sector to us seems to be the heavily beaten-down industrials (exhibit 6), which we believe have spent the last three years in their own private recession. They have been using this opportunity to slim down and do more with less, and have been generating much greater efficiencies—reporting the highest margins in almost two decades.

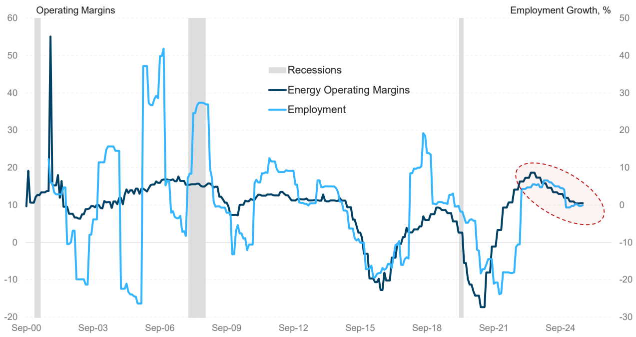
Exhibit 6
S&P 500 Industrials Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

Exhibit 7

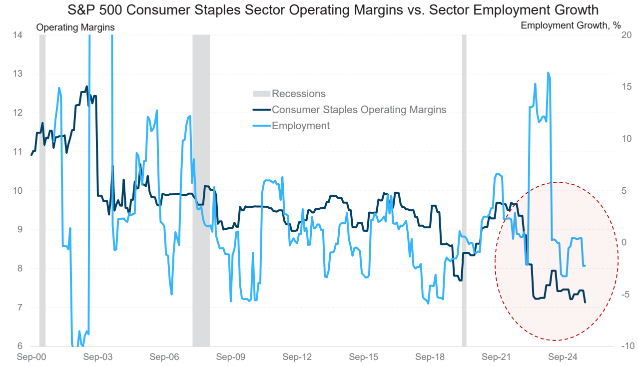
S&P 500 Energy Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

Exhibit 10

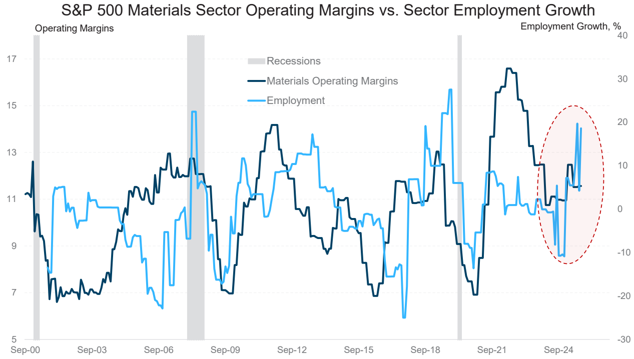
S&P 500 Consumer Staples Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

Exhibit 8

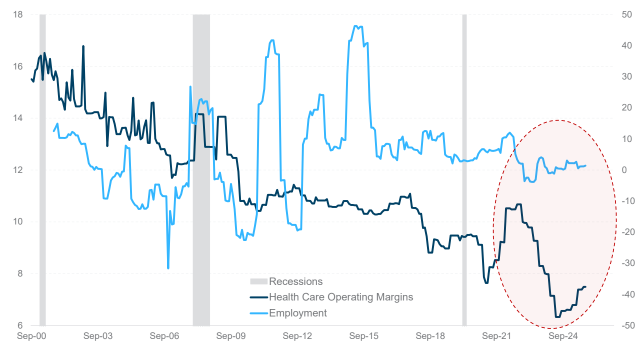
S&P 500 Materials Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

Exhibit 11

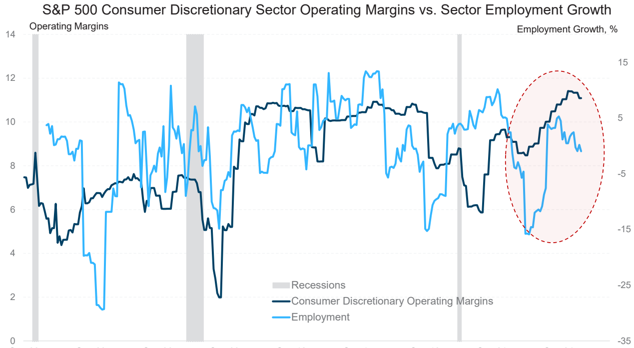
S&P 500 Health Care Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

Exhibit 9

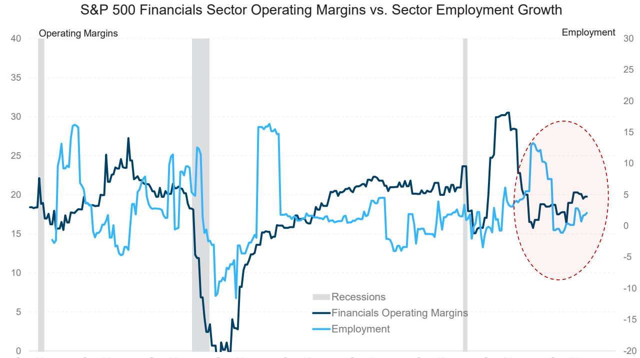
S&P 500 Consumer Discretionary Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

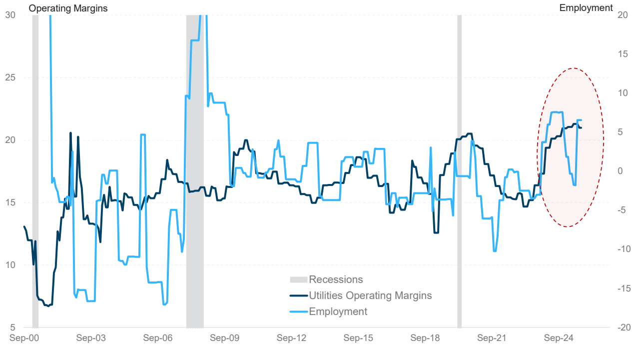
Exhibit 12

S&P 500 Financials Sector Operating Margins vs. Sector Employment Growth



Sources: Bloomberg, William Blair Equity Research

Exhibit 13
S&P 500 Utilities Sector Operating Margins vs. Sector Employment Growth, %



Sources: Bloomberg, William Blair Equity Research

The Costs and Benefits of New Innovation to Society

As this year's recipients of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel have discussed, the extent to which innovation sustainably benefits society ultimately depends on the nature of the innovation, how it is introduced, and how its rewards are distributed.

If, for example, the innovation's gains accrue solely to capital owners—as shareholders often hope and expect—this could further widen income inequality and intensify existing social and political tensions. Such a dynamic would ultimately prove self-defeating, as companies rely on employed income-earning consumers' demand to generate profits.

Many of the recent gains depicted in the preceding exhibits likely stem from a combination of two of the three major types of innovation: incremental innovation (e.g., quality improvements to existing products or services) and variety innovation (e.g., creating a smartwatch to complement a smartphone), as opposed to the far more disruptive creative destruction-type of innovation (e.g., Netflix displacing and bankrupting Blockbuster).

How Policymakers Need to Deal With the Friction

What about the next wave of innovation—AI? Encouragingly, AI is considered a general-purpose technology, meaning it spans all forms of innovation, including creative destruction in some areas. But it is also widely available to society, rather than being held hostage and monopolized by just one company. Nevertheless, there will also likely be some frictional unemployment that policymakers will have to deal with.

For fiscal policymakers, this likely means stepping up education and retraining programs, finding ways to improve labor mobility, and improving social safety nets—i.e., many of the same things that should have been done but weren't in the early stages of globalization.

For monetary policymakers, this type of structural displacement is not something their toolkits are well equipped to deal with. Simply lowering interest rates could end up doing more damage than good.

While Chair Powell did not explicitly mention it at this week's press conference, we thought one of the underlying messages was that there has been a major sentiment shift on the FOMC around the recent slowing in employment growth—the Fed is increasingly wary about treating any weakening as cyclical as opposed to more structural in nature. The result is that it is now telling the markets that if this is the case, we should expect the committee to be less responsive to such changes than it has been in the past.

Conclusion

There is a strong dichotomy at the moment between the strength in consumption, the strength of financial markets, and the weakness of employment.

When repeatedly asked about this at this week's FOMC meeting, Fed Chair Powell labeled this as mostly weakness on the supply-side, the result of a very sharp fall in immigration and lower participation due to an aging population, coupled with some modest softening in the demand for labor.

Yet, we suspect that a good part of the explanation also related to productivity improvements following years of capital deepening that companies have been engaged in to help offset the increasingly dwindling supply of available labor.

While these productivity gains have been typically slow to turn up in the official statistics, they seem to be apparent in comparisons of corporate profit margins with employment growth in several sectors of the economy.

Looking forward, the next wave of innovation—AI—is already upon us and will very likely exacerbate many of these trends. Indeed, this week's announcement by

Amazon that it was eliminating 14,000 jobs that can now be done with AI is the latest case in point.

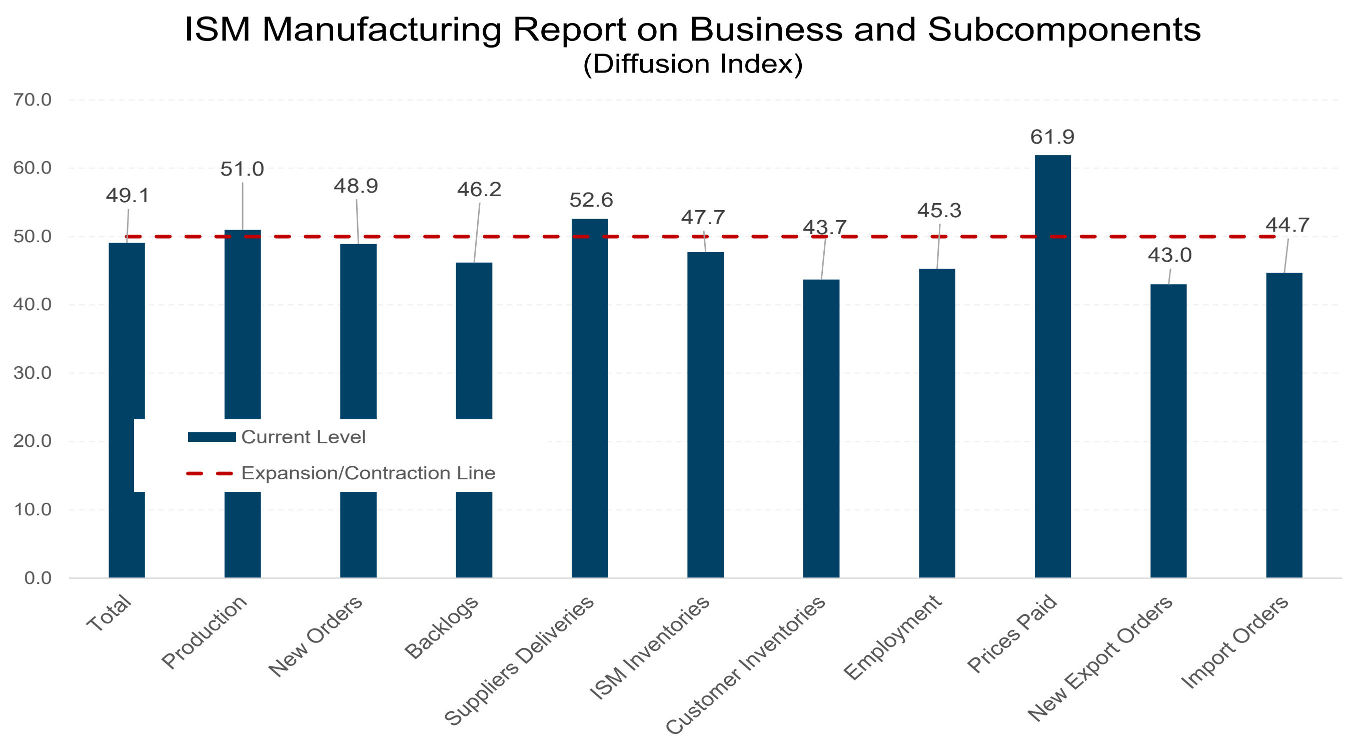
The fact that little of this looks to be cyclical unemployment and is more structural, and therefore not something the Fed is well equipped to resolve, felt like it was one of the key underlying implicit messages from this week's FOMC meeting. The Fed is telling us that it is prepared to act where it can, but it is also gently telling us that if the nature of the employment slowdown has changed, it too will need to reflect that change in its policy decisions.

Highlights in the Week Ahead

Date	Time (ET)	Indicator	Last	Consensus	WB Estimate	Actual
3 Nov	10:00 a.m.	ISM Manufacturing (Oct)	49.1	49.2	48.3	
5 Nov	10:00 a.m.	ISM Services Index (Oct)	50.0	51.0	50.2	
6 Nov	7:30 a.m.	Challenger Layoff Announcements (Oct)	-25.8%	NA	NA	

Sources: Bloomberg, William Blair Equity Research

Indicator of the Week: ISM Manufacturing Report



Sources: Institute for Supply Management, William Blair Equity Research

Economic Scorecard

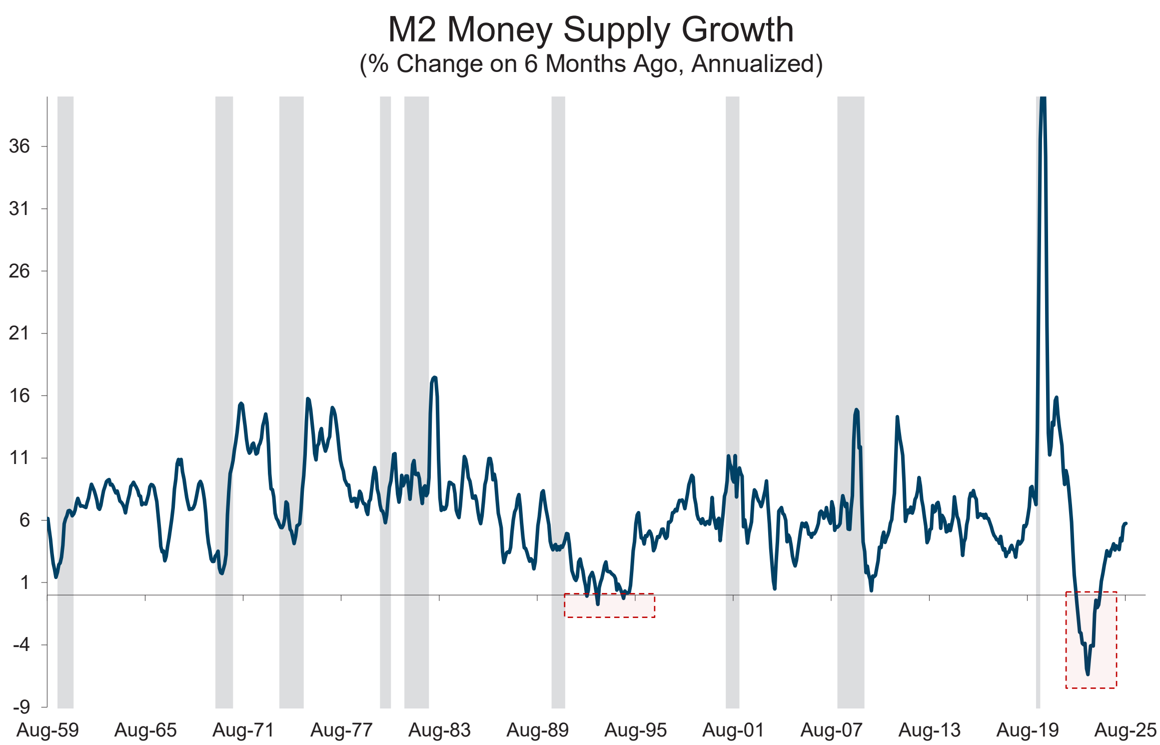
Rolling monthly heat map, % Change on Year Ago (unless otherwise noted)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Growth																			
US Leading Indicators	-5.4	-5.0	-4.5	-4.7	-4.6	-4.3	-3.7	-3.0	-3.0	-2.7	-3.0	-3.6	-4.3	-3.9	-4.0	-3.4	-3.6		
US Coincident Indicators	1.7	1.9	2.1	1.7	1.7	1.6	1.6	1.3	1.7	1.5	1.5	1.8	2.0	1.4	1.4	1.4	1.5		
US Lagging Indicators	1.4	1.2	1.1	1.0	0.8	0.3	0.1	0.0	0.1	-0.1	0.1	-0.1	0.0	0.8	0.7	0.8	0.9		
Consumer																			
Total Retail Sales	2.6	2.8	2.3	3	1.8	2	3.1	3.9	4.6	4.6	3.9	5.1	5	3.4	4.4	4.1	5.0		
Personal Income	5.7	5.7	5.7	5.6	5.4	5.3	5.5	5.3	5.3	5	5	5.2	5.8	4.9	4.7	4.9	5.1		
Real Disposable Personal Income	2.9	3	3.1	2.9	2.8	2.8	2.7	2.4	2.2	1.8	1.8	2.3	3	1.9	1.6	1.9	1.9		
Real Personal Consumption	2.6	3.1	3.1	3	3	3.4	3.3	3.2	3.6	3.3	2.7	3.2	3.1	2.5	2.5	2.5	2.7		
Personal Saving Rate (%)	5.8	5.8	5.7	5.3	5.2	4.8	5	4.9	4.3	5.1	5.2	5.1	5.7	5.2	5	4.8	4.6		
Consumer Confidence (Conference Board)**	97.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	85.7	98.4	95.2	98.7	97.8	95.6	
Employment																			
Employment Growth	1.5	1.4	1.3	1.3	1.2	1.3	1.2	1.3	1.3	1.3	1.2	1.1	1.1	1.0	1.0	1.0	0.9		
ASA Temporary Staffing Index	-9.3	-10.2	-9.9	-12.5	-12.2	-12.0	-9.5	-6.6	-21.0	-8.2	-7.5	-8.7	-6.4	-5.8	-5.3	-0.8	-0.9	0.8	
ISM Employment Index Manufacturing*	48.2	50.4	48.4	43.6	45.8	44.6	44.8	48.1	45.4	50.3	47.6	44.7	46.5	46.8	45	43.4	43.8	45.3	
ISM Employment Index Services*	46.6	47.5	46.7	51	49.6	48.2	52.2	50.9	51.3	52.3	53.9	46.2	49	50.7	47.2	46.4	46.5	47.2	
Unemployment Rate, %	3.9	4	4.1	4.2	4.2	4.1	4.1	4.2	4.1	4	4.1	4.2	4.2	4.2	4.1	4.2	4.3		
Average Hourly Earnings	4	4.1	3.9	3.6	4	3.9	4.1	4.2	4	3.9	3.9	3.9	3.8	3.8	3.7	3.9	3.7		
Initial Jobless Claims (avg. wkly. chg. '000s)	210	222	237	237	230	225	236	219	222	218	227	223	226	235	241	221	231	238	
Jop Openings	-23.7	-15.1	-19.4	-12.8	-17.6	-23.5	-10.9	-7.3	-12.5	-8.3	-11.4	-11.0	-2.9	-2.4	-0.7	-3.9	-5.5	1.7	
Layoff Announcements	-3.3	-20.3	19.8	9.2	1	53.4	50.9	26.8	11.4	-39.5	103.2	204.8	62.7	47	-1.6	139.8	13.3	-25.8	
Housing Market																			
Housing Starts	2.3	-16.9	-6.6	-13.4	5.6	-1	-1.2	-14.5	-0.5	-1.7	-4	3.3	0.9	-2.6	4.1	13	-6		
New Home Sales	8.1	-10	-0.4	1.1	7.4	5.3	-8.8	10.7	11.7	-2.8	-2.4	-4.6	-1.8	-5.7	0.7	-6.5	15.4		
Existing Home Sales	-2.6	-3.1	-5.1	-2.5	-3.7	-3.0	3.1	6.7	9.7	2.3	-0.9	-2.4	-2.0	-0.5	0.0	0.8	1.8		
Median House Price (Existing Homes)	-0.5	-1.6	-0.9	-1.6	-8	-1.2	2.1	-7.4	1.1	-0.2	-1.4	-5.4	-0.4	2.5	-2.5	-7.9	1.9		
Existing Homes Inventory (Mths' supply)	3.5	3.5	3.8	3.7	3.9	4	3.9	3.8	3.7	3.9	3.8	4.2	4.3	4.3	4.4	4.3	4.3		
New Homes Inventory (Mths' supply)	7.7	8.5	8.4	7.9	8.2	7.9	9.3	8.7	8.2	9	9.3	9.2	8.5	9.6	8.9	9	7.4		
NAHB Homebuilder Sentiment*	51	45	43	41	39	41	43	46	46	47	42	39	40	34	32	33	32	32	37
Inflation																			
Consumer Price Index	3.4	3.3	3	2.9	2.5	2.4	2.6	2.7	2.9	3	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3.0	
CPI Less-food & energy	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3.0	
Producer Price Index	2.3	2.5	2.9	2.4	2.1	2.1	2.8	2.9	3.5	3.8	3.4	3.2	2.4	2.7	2.4	3.1	2.6		
PPI Less-food & energy	2.5	2.7	3.3	2.6	2.8	3.3	3.6	3.4	3.7	3.9	3.7	3.8	3.1	3.2	2.6	3.4	2.8		
PCE Price Index	2.8	2.7	2.5	2.6	2.4	2.3	2.5	2.6	2.7	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7		
PCE Prices Less-food & energy	3.0	2.8	2.8	2.8	2.9	2.8	3.0	3.0	3.0	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9		
Business Activity - US																			
Industrial Production	-0.8	0.0	0.9	-0.5	-0.1	-0.7	-0.4	-0.9	0.4	1.4	1.1	1.0	1.2	0.7	0.9	1.3	0.9		
New Cap Gds Orders less-aircraft & parts	2.1	-2.8	-4	-0.6	-1.8	0.5	0.2	-1.1	1.9	3.3	-0.9	2.2	0.5	2.2	4.5	4.5	2.9		
Business Inventories	0.2	0.6	1.2	1.6	2.1	2.1	1.9	2.2	2.6	1.9	2.5	2.3	2.5	2.2	1.7	1.6	1.5		
ISM Manufacturing PMI*	48.8	48.5	48.3	47	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49	48.7	48.5	49	48	48.7	49.1	
Markit US Manufacturing PMI*	50	51.3	51.6	49.6	47.9	47.3	48.5	49.7	49.4	51.2	52.7	50.2	50.2	52	52.9	49.8	53	52	
ISM Services Index*	49.6	53.5	49.2	51.4	51.6	54.5	55.8	52.5	54	52.8	53.5	50.8	51.6	49.9	50.8	50.1	52	50	
Markit US Services PMI*	51.3	54.8	55.3	55	55.7	55.2	55	56.1	56.8	52.9	51	54.4	50.8	53.7	52.9	55.7	54.5	54.2	
Business Activity - International																			
Germany Manufacturing PMI Markit/BME*	42.5	45.4	43.5	43.2	42.4	40.6	43	43	42.5	45	46.5	48.3	48.4	48.3	49	49.1	49.8	49.5	
Japan Manufacturing PMI Jibun Bank*	49.6	50.4	50	49.1	49.8	49.7	49.2	49	49.6	48.7	49	48.4	48.7	49.4	50.1	48.9	49.7	48.5	
Caixin China Manufacturing PMI*	51.4	51.7	51.8	49.8	50.4	49.3	50.3	51.5	50.5	50.1	50.8	51.2	50.4	48.3	50.4	49.5	50.5	51.2	
China Manufacturing PMI*	50.4	49.5	49.5	49.4	49.1	49.8	50.1	50.3	50.1	49.1	50.2	50.5	49	49.5	49.7	49.3	49.4	49.8	
UK Manufacturing PMI Markit/CIPS*	49.1	51.2	50.9	52.1	52.5	51.5	49.9	48	47	48.3	46.9	44.9	45.4	46.4	47.7	48	47	46.2	
France Manufacturing PMI Markit*	45.3	46.4	45.4	44	43.9	44.6	44.5	43.1	41.9	45	45.8	48.5	48.7	49.8	48.1	48.2	50.4	48.2	
Currencies* **																			
Euro (EUR/USD)	-3.2	1.5	-1.8	-1.6	1.9	5.3	2.9	-2.9	-6.2	-4.2	-4.0	0.2	6.2	4.6	10.0	5.4	5.8	5.4	
Renmimbi (USD/CNY)	4.7	1.9	0.2	1.2	-2.3	-3.8	-2.7	1.6	2.8	1.1	1.2	0.5	0.4	-0.6	-1.4	-0.4	0.6	1.5	
Yen (USD/Yen)	15.8	12.9	11.5	5.4	0.4	-3.8	0.2	1.1	11.5	5.6	0.4	-0.9	-9.3	-8.4	-10.5	0.5	0.6	3.0	
Sterling (GBP/USD)	-0.6	2.4	-0.5	0.2	3.6	9.6	6.1	0.9	-1.7	-2.3	-0.4	2.3	6.7	5.6	8.6	2.7	2.9	0.5	
Canadian $ (USD/CAD)	1.7	0.4	3.3	4.7	-0.1	-0.4	0.4	3.3	8.6	8.2	6.5	6.3	0.2	0.8	-0.5	0.3	1.8	2.9	
Mexican Peso (USD/MXN)	-4.8	-3.8	7.0	11.2	15.8	13.0	11.0	17.2	22.7	20.1	20.5	23.6	14.4	14.3	2.3	1.4	-5.4	-7.0	
US Equities																			
S&P 500	20.8	26.3	22.7	20.3	25.3	34.4	36.0	32.1	23.3	24.7	16.8	6.8	10.6	12.0	13.6	14.8	14.4	16.1	
S&P 400 Midcap	14.9	23.9	11.7	13.5	16.9	24.8	30.9	31.3	12.2	18.6	7.1	-4.2	-0.3	0.6	5.9	1.7	5.3	4.5	
S&P 600 Smallcap	10.4	18.1	6.6	12.0	15.1	23.5	27.6	30.9	6.8	14.5	4.5	-5.0	-3.6	-3.4	2.8	-6.3	1.8	1.9	
Russell 2000	11.6	18.3	8.4	12.5	16.7	24.9	32.1	34.6	10.0	17.5	5.3	-5.3	-0.5	-0.2	6.2	-1.9	6.7	9.3	

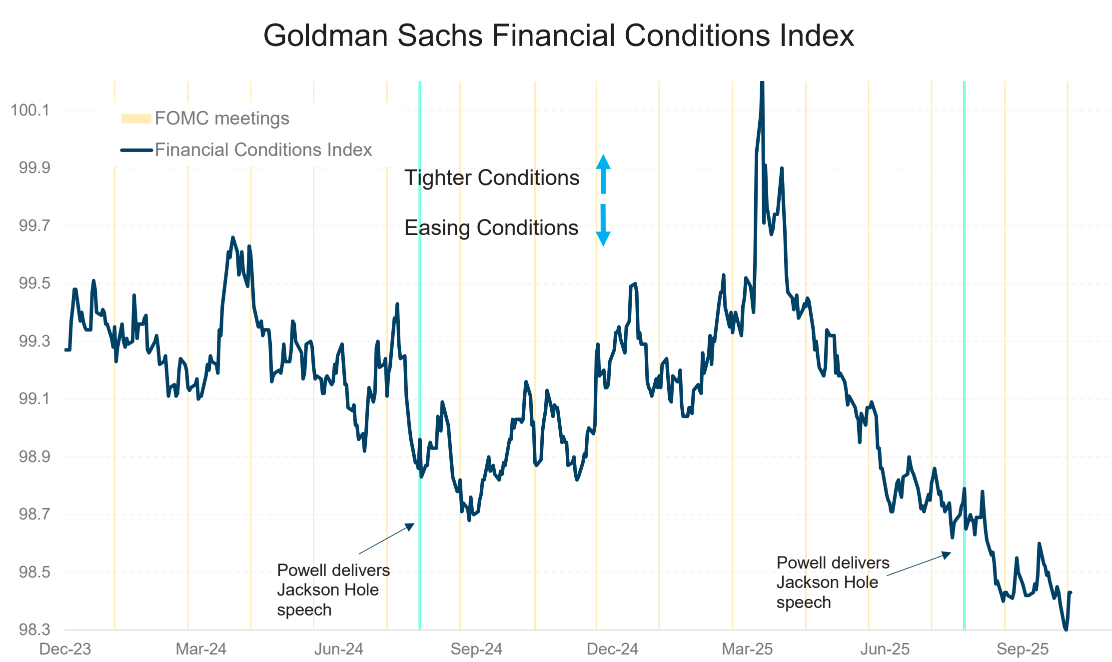
* Diffusion Index, **1985=100, ***Currencies - green/red = strengthening/weakening foreign currency vs dollar

Source: ISM, Federal Reserve, Census Bureau, Bureau of Labor Statistics, Conference Board, Bloomberg, William Blair

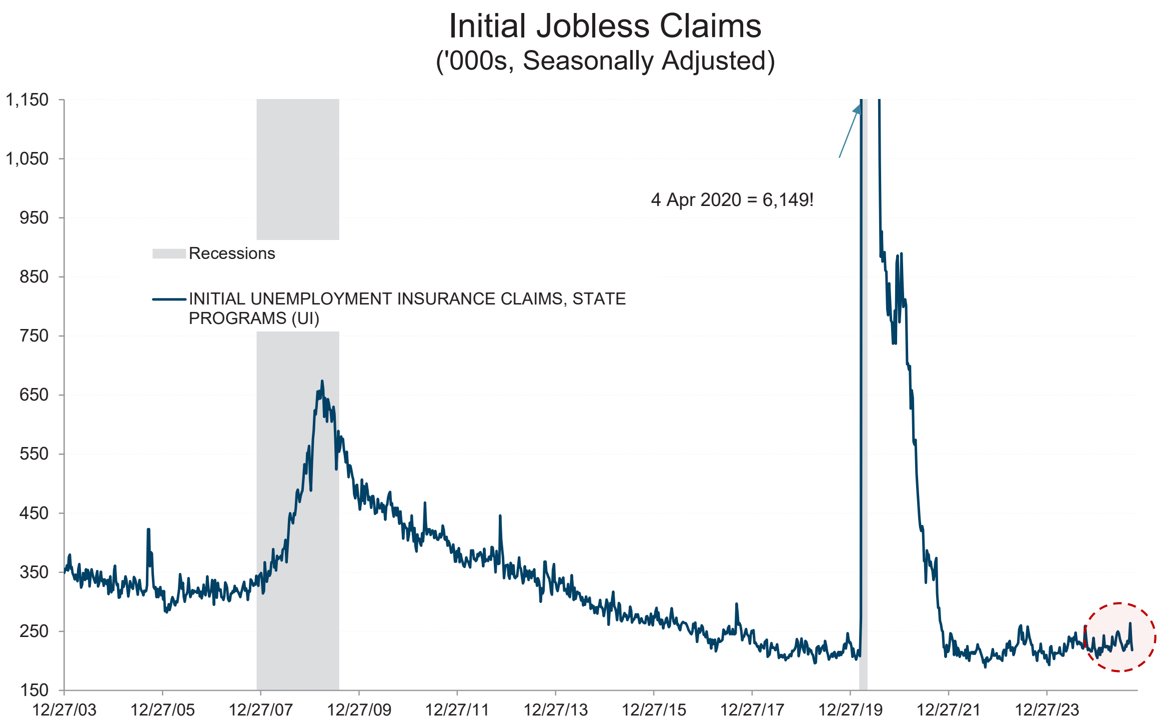
Other Economic Indicators



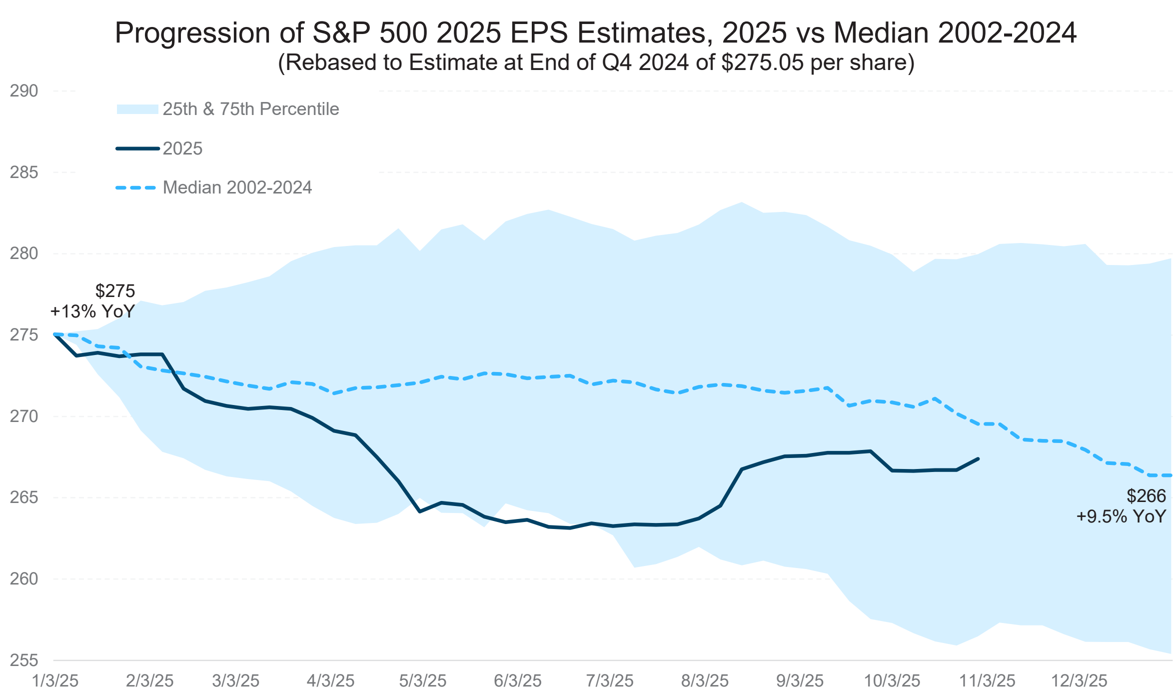
Sources: Federal Reserve, William Blair Equity Research



Sources: Bloomberg, William Blair Equity Research

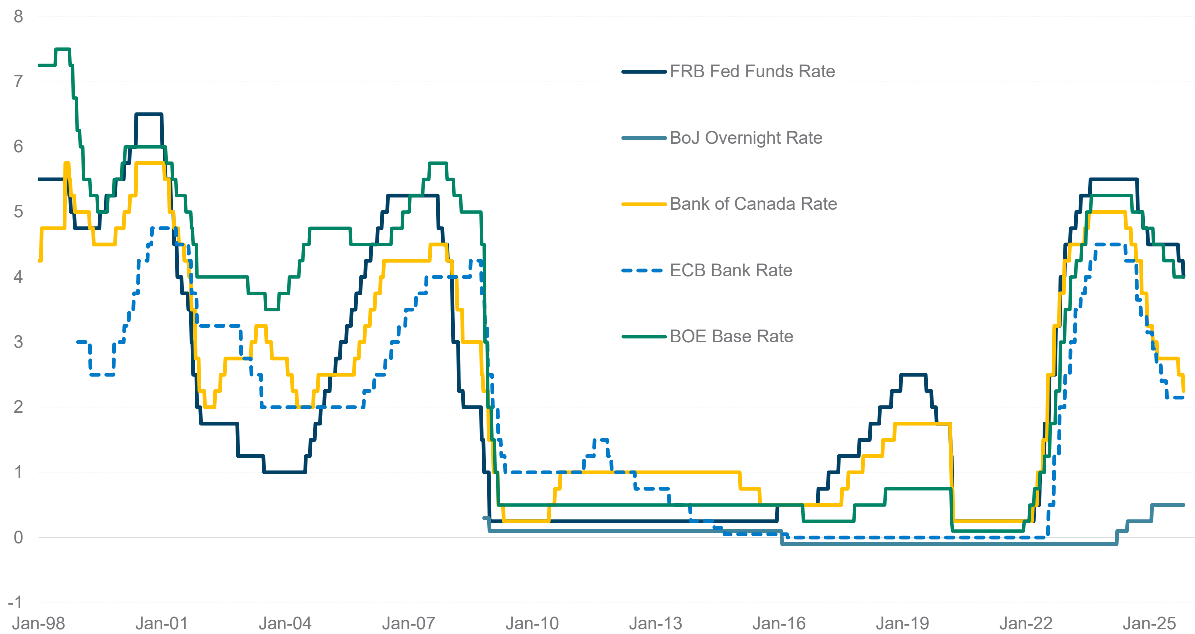


Source: Department of Labor, Bloomberg, William Blair Equity Research



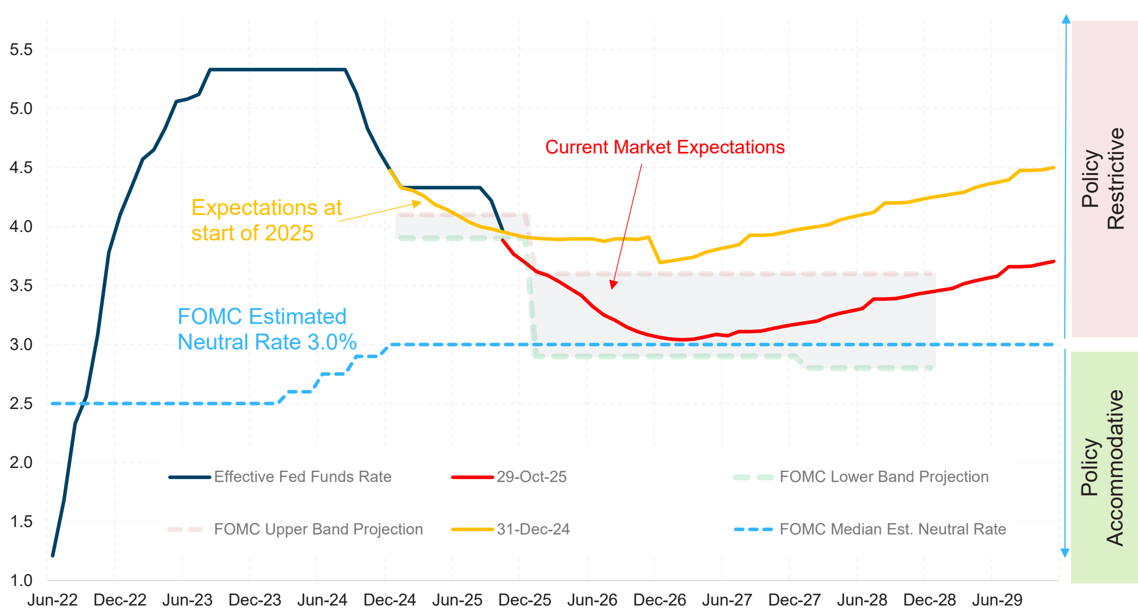
Sources: LSEG, William Blair Equity Research

Central Bank Target Short-Term Interest Rates, %



Sources: Bloomberg, William Blair Equity Research

Fed Funds Rate Futures Market Expectations & FOMC Projections, %



S&P 500 Sector Performance

Global Industry Classification System	Current Weight* 30-Oct-25	Week Ago 23-Oct-25	Month Ago 30-Sep-25	Qtr-to-Date 30-Sep-25	Year-to-Date 31-Dec-24
S&P 500 Index	**100.00**	**1.25**	**2.00**	**2.00**	**15.99**
S&P 400 MidCap Index		**-1.62**	**-1.13**	**-1.13**	**3.39**
S&P 600 SmallCap Index		**-2.15**	**-1.07**	**-1.07**	**1.82**
Dow Jones Industrials		**1.69**	**2.42**	**2.42**	**11.70**
Nasdaq Composite		**2.79**	**4.07**	**4.07**	**22.11**
Communication Services	**10.16**	**2.17**	**2.06**	**2.06**	**26.24**
Advertising	0.07	-8.02	-4.34	-4.34	-34.80
Broadcasting	0.07	7.85	-1.18	-1.18	34.57
Cable & Satellite	0.21	-6.51	-13.59	-13.59	-28.25
Integrated Telecommunication Services	0.55	0.82	-12.01	-12.01	2.83
Interactive Home Entertainment	0.16	-0.52	-1.52	-1.52	36.22
Interactive Media & Services	7.46	3.53	6.12	6.12	34.84
Movies & Entertainment	1.24	-1.62	-6.19	-6.19	18.36
Publishing & Printing	0.03	0.56	-13.21	-13.21	-2.75
Wireless Telecommunication Svcs	0.38	-4.24	-12.00	-12.00	-4.56
Consumer Discretionary	**10.35**	**-1.38**	**-1.66**	**-1.66**	**3.00**
Apparel Retail	0.34	0.16	-0.31	-0.31	14.20
Apparel & Accessories & Luxury Goods	0.09	-4.36	-2.01	-2.01	-15.92
Auto Parts & Equipment	0.03	-3.36	-4.76	-4.76	30.17
Automobile Manufacturers	2.55	-1.48	-0.10	-0.10	10.79
Automobile Retail	0.24	-3.40	-12.34	-12.34	12.05
Broadline Retail	3.90	0.54	1.32	1.32	2.06
Casinos & Gaming	0.10	-0.91	0.21	0.21	7.65
Computer & Electronics Retail	0.03	0.91	10.00	10.00	-3.05
Consumer Electronics	0.07	-14.07	-12.69	-12.69	4.22
Distributors	0.06	-3.57	-6.27	-6.27	-5.57
Footwear	0.14	-9.07	-8.97	-8.97	-25.91
Home Furnishings	0.01	-10.33	-10.35	-10.35	-2.98
Home Improvement Retail	0.83	-1.49	-5.87	-5.87	-2.54
Homebuilding	0.19	-4.13	-8.72	-8.72	2.04
Hotels, Resorts & Cruise Lines	0.80	-2.78	-3.71	-3.71	4.40
Leisure Products	0.02	-1.78	0.92	0.92	36.91
Restaurants	0.85	-4.06	-4.43	-4.43	-2.80
Other Specialty Retail	0.08	-3.46	-5.71	-5.71	8.19
Consumer Staples	**5.15**	**-3.58**	**-2.10**	**-2.10**	**-0.10**
Agricultural Products	0.08	-2.50	5.99	5.99	21.04
Brewers	0.01	-4.32	-3.54	-3.54	-23.85
Distillers & Vintners	0.05	-7.24	-3.75	-3.75	-39.66
Drug Retail	0.02	0.00	0.00	0.00	28.40
Food Distributors	0.06	-4.49	-9.28	-9.28	-2.30
Food Retail	0.07	-4.70	-2.94	-2.94	7.00
Household Products	0.78	-1.80	-3.27	-3.27	-12.48
Packaged Foods & Meats	0.42	-3.87	-5.70	-5.70	-11.90
Personal Care Products	0.08	-3.96	-3.08	-3.08	-14.25
Soft Drinks	0.97	-2.00	4.22	4.22	4.43
Tobacco	0.52	-8.78	-11.17	-11.17	17.27
Energy	**2.70**	**-1.65**	**-1.82**	**-1.82**	**2.38**
Integrated Oil & Gas	1.36	-1.56	0.02	0.02	5.16
Oil & Gas Equipment & Services	0.20	-0.05	3.98	3.98	3.46
Oil & Gas Exploration & Production	0.54	-2.65	-5.22	-5.22	-6.70
Oil & Gas Refining & Marketing & Transportation	0.27	-0.32	0.75	0.75	32.57
Oil & Gas Storage & Transportation	0.33	-2.48	-8.73	-8.73	-11.32

Financials	**12.23**	**-0.58**	**-3.12**	**-3.12**	**8.01**
Asset Management & Custody Banks	0.98	-1.95	-6.67	-6.67	-0.33
Consumer Finance	0.67	0.34	5.59	5.59	21.55
Diversified Banks	3.06	3.31	-0.78	-0.78	23.53
Diversified Financial Services	7.28	-1.61	-2.88	-2.88	5.56
Financial Exchanges & Data	1.00	-0.33	-2.56	-2.56	4.02
Insurance Brokers	0.46	-5.58	-11.46	-11.46	-11.10
Investment Banking & Brokerage	1.36	2.83	-0.35	-0.35	33.18
Life & Health Insurance	0.28	0.68	-3.19	-3.19	-1.50
Multi-Sector Holdings	1.06	-2.37	-4.82	-4.82	5.57
Property & Casualty Insurance	0.89	-2.40	-7.06	-7.06	-0.78
Regional Banks	0.25	0.18	-6.23	-6.23	1.69
Reinsurance	0.02	-11.47	-11.72	-11.72	-14.70
Transaction & Payment Processing	2.10	-4.65	-3.39	-3.39	-3.85
Health Care	**8.76**	**-1.17**	**3.54**	**3.54**	**4.78**
Biotechnology	1.51	0.54	3.19	3.19	17.04
Health Care Distributors	0.36	6.65	9.77	9.77	46.81
Health Care Equipment	1.86	-2.49	0.76	0.76	5.86
Health Care Facilities	0.19	5.88	9.16	9.16	50.05
Health Care Services	0.34	-10.66	-6.47	-6.47	20.50
Health Care Supplies	0.06	-3.33	1.98	1.98	-20.83
Life Sciences Tools & Services	0.87	-3.47	11.89	11.89	0.71
Managed Health Care	0.72	-4.44	-0.04	-0.04	-27.98
Pharmaceuticals	2.87	0.53	4.65	4.65	5.46
Industrials	**7.82**	**-0.07**	**0.21**	**0.21**	**17.32**
Aerospace & Defense	2.10	-0.96	0.69	0.69	39.36
Agricultural & Farm Machinery	0.20	-0.85	1.78	1.78	9.84
Air Freight & Logistics	0.26	8.16	9.43	9.43	-12.34
Building Products	0.47	2.70	0.88	0.88	10.39
Cargo Ground Transportation	0.07	0.67	5.04	5.04	-16.54
Construction & Engineering	0.16	1.88	6.39	6.39	37.84
Construction Machinery & Heavy Trucks	0.68	8.50	14.29	14.29	37.82
Data Processing & Outsourced Services	0.04	-4.78	-7.21	-7.21	-2.25
Diversified Support Svcs	0.19	-4.56	-8.62	-8.62	-11.18
Electrical Components & Equipment	0.56	2.92	3.83	3.83	14.37
Environmental & Facilities Services	0.32	-5.54	-7.76	-7.76	2.73
Heavy Electrical Equipment	0.25	-3.54	-6.64	-6.64	74.53
Human Resource & Employment Services	0.27	-6.44	-9.51	-9.51	-11.68
Industrial Conglomerates	0.36	-3.48	3.30	3.30	5.31
Industrial Machinery	0.62	-0.90	-0.25	-0.25	3.52
Passenger Airlines	0.13	-3.07	-2.03	-2.03	-5.82
Passenger Ground Transportation	0.32	1.99	-1.51	-1.51	59.96
Railroads	0.42	-0.39	-5.25	-5.25	4.56
Research & Consulting Svcs	0.16	-4.96	-8.31	-8.31	-4.19
Trading Companies & Distributors	0.24	-3.69	-9.15	-9.15	9.12
Information Technology	**34.74**	**4.94**	**6.55**	**6.55**	**29.72**
Application Software	2.70	0.95	-0.83	-0.83	8.79
Communications Equipment	0.93	2.19	4.43	4.43	22.50
Electronic Components	0.40	3.49	11.71	11.71	97.19
Electronic Equipment & Instruments	0.14	-3.13	-6.09	-6.09	0.72
Electronic Manufacturing Services	0.15	4.78	8.54	8.54	65.99
Internet Software & Services	0.08	-4.28	-10.05	-10.05	-18.47
IT Consulting & Services	0.82	5.18	6.18	6.18	-1.00
Semiconductor Equipment	0.93	5.99	16.22	16.22	74.98
Semiconductors	13.24	9.40	11.53	11.53	53.23
Systems Software	8.38	0.09	0.85	0.85	24.56
Technology Distributors	0.03	-1.06	-1.56	-1.56	-9.91
Technology Hardware, Storage & Peripherals	6.93	4.71	6.68	6.68	10.44
Materials	**1.59**	**-3.48**	**-4.28**	**-4.28**	**3.12**
Commodity Chemicals	0.05	-3.12	-1.29	-1.29	-40.04
Construction Materials	0.12	-0.86	-4.28	-4.28	15.60
Copper	0.10	1.21	6.40	6.40	9.58

Fertilizers & Agricultural Chemicals	0.10	-3.74	-10.29	-10.29	4.43
Gold	0.14	-7.42	-2.37	-2.37	121.14
Industrial Gases	0.41	-4.39	-9.66	-9.66	-1.81
Metal & Glass Containers	0.02	-4.85	-6.21	-6.21	-14.22
Paper Packaging	0.14	-12.27	-9.36	-9.36	-22.37
Specialty Chemicals	0.40	-1.30	-0.89	-0.89	-1.75
Steel	0.09	6.88	11.67	11.67	32.14
Real Estate	**1.77**	**-3.60**	**-2.76**	**-2.76**	**0.61**
Data Center REITs	0.23	-0.99	3.18	3.18	-8.64
Health Care REITs	0.29	0.78	-0.83	-0.83	24.46
Hotel & Resort REITs	0.02	-3.31	-5.52	-5.52	-8.22
Industrial REITs	0.19	-1.22	8.48	8.48	17.53
Multi-Family Residential REITs	0.00	-5.84	-7.99	-7.99	-17.31
Office REITs	0.02	-4.48	-5.26	-5.26	-5.29
Other Specialized REITs	0.10	-4.36	-5.37	-5.37	-1.29
Real Estate Service	0.12	-8.28	-9.29	-9.29	7.95
Retail REITs	0.23	-3.82	-5.92	-5.92	0.39
Self-Storage REITs	0.13	-9.23	-3.40	-3.40	-7.69
Single-Family Residential REITs	0.13	-9.23	-3.40	-3.40	-7.69
Telecom Tower REITs	0.23	-5.65	-5.57	-5.57	-2.02
Timber REITs	0.03	-1.42	-5.16	-5.16	-16.48
Utilities	**2.24**	**-0.64**	**2.81**	**2.81**	**18.36**
Electric Utilities	1.47	0.18	5.25	5.25	20.98
Gas Utilities	0.04	-1.37	1.52	1.52	24.47
Independent Power Producers & Energy Traders	0.12	-0.93	-1.90	-1.90	33.10
Water Utilities	0.04	-11.14	-8.97	-8.97	1.78
Multi-Utilities	0.56	-1.81	-1.22	-1.22	10.10

*Current Weight is market cap based, based on calculations by William Blair Intl. Ltd.

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DOW JONES: 47632.00
S&P 500: 6890.59
NASDAQ: 23958.50

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Outperform (Buy)	72	Outperform (Buy)	10
Market Perform (Hold)	28	Market Perform (Hold)	3
Underperform (Sell)	1	Underperform (Sell)	0

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